

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Marcellus Township	County Cass County
Fiscal Year End June 30, 2006	Opinion Date December 8, 2006	Date Audit Report Submitted to State December 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

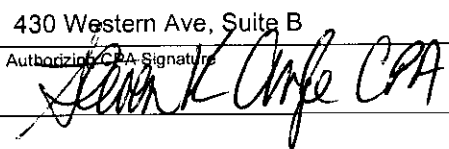
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGFA Statement #1 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Angle & Steffes, P.C.		Telephone Number 269-686-9050	
Street Address 430 Western Ave, Suite B		City Allegan	State MI
Authorized CPA Signature 		Printed Name Steven K. Angle, CPA	Zip 49010
		License Number 14653	

# **TOWNSHIP OF MARCELLUS**

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## INDEPENDENT AUDITOR'S REPORT

December 8, 2006

To the Township Board  
Township of Marcellus  
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Marcellus, Cass County, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marcellus Township, Cass County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Marcellus as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments, as of June 30, 2003.

The management's discussion and analysis and budgetary comparison information on page 2 and 3, and 24 through 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

  
Angle & Steffes, P.C.  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS MARCELLUS TOWNSHIP, CASS COUNTY**

### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government wide financial statements.

### **The Township as a Whole**

The Township's combined net assets increased by 2% over last year to \$382,483. This is a result, in part, to increased tax revenues, timing of various special revenue fund projects (millages). Due to the timing of some payments, adjustments were made to bring these within the appropriate fiscal year.

Net assets continue to remain healthy. There continues to be significant success in the collection of delinquent personal property taxes. Otherwise, there were no significant changes in the tax base or tax abatements granted. The business economy in the Township remained stable. It is anticipated that assessments will increase by 3.7% next year due to the cost of living index. This should result in additional revenue which will further strengthen the Township's stability and financial status.

### **Government Activities**

The principal changes in fund balances were due to the collection of voted millages as well as real and personal property taxes. Voted mills for fire and ambulance operations, road maintenance, and police services are restricted to their specific purposes.

In addition, there are voted funds for maintenance and operation of the Library and Hudson Memorial Building. The administration for each of these funds is accomplished through a separate, elected Board of Directors.

### **The Township's Funds**

The report of the Township's major funds and the accompanying notes are enclosed with this report. The governmental balance sheet and financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific, restricted purposes as well as to show accountability for certain activities, such as special millages. The Township's major funds for the year include the General Fund, Road Fund, Fire and Ambulance Fund and Police Fund.

The General Fund pays for most of the Township's general governmental services, as well as support the special revenue tax millages to cover fire, ambulance and police services as needed. The Road Fund continued to have the largest fund balance of \$125.9 thousand. This is due to timing of payment for roadwork as well as a deliberate effort of the Township Board to build a reserve of funds for future, more costly roadwork, such as upgrading gravel roads to pavement.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

### **MARCELLUS TOWNSHIP, CASS COUNTY**

#### **General Fund Budgetary Highlights**

The most significant variance in anticipated vs. actual revenues was in the area of charges for services such as sale of cemetery lots, land splits, and zoning transfers. Total revenues were \$6,197 over budget.

Overall, expenditures in Township departments were below anticipated budget. This resulted in total expenditures \$35,657 below budget. The General Fund's fund balance increased from \$70,894 to \$90,648, a 28% increase from that of last year. This also takes into account for a \$40,477 contribution to Fire and Ambulance for additional fire fighting and emergency equipment.

#### **Outlook for the Coming Year**

During the 2005-2006 fiscal year, no long-term debt was incurred and no commitments for capital expenditures were made. In addition, there is no outstanding debt coming into the new year. Therefore, there should be no change in credit rating or debt limitation.

Barring any unforeseen or catastrophic economic events, the financial position of Marcellus Township should remain stable for the ensuing year. As stated above, we anticipate increased revenues due to a 3.7% increase in the cost of living index. We continue to closely monitor the State budget deficit projections and their potential impact on local municipalities, such as further reductions in revenue sharing. Nevertheless, we should be able to continue the provision of services at current levels regardless of any anticipated reductions in this area.

The Township will continue to develop several projects over the next year. The Township has continued the provision of dust control for all gravel roads within the Township. This is the second year of the project and it has demonstrated success in stabilizing deteriorating gravel roads. In addition, the Township will complete major up-grading of a key gravel road. However, the extent of future road improvements may be limited due to significant reductions in match formulas by the Cass County Road Commission as well as an anticipated increase in the cost of asphalt for paving projects.

The Township has completed its in-depth study of potential sewer service to several lake and surrounding areas. Petitions have been circulated to test for sufficiency of interest. It is anticipated that recommendations to proceed with the project will be finalized over the next year.

#### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances as well as to show the Township's accountability for the money it receives. Copies of the financial report are available through the Township clerk. If you have any questions or need further information, please contact the clerk or attend Township Board meetings which are held on the third Tuesday of each month beginning at 7:00 p.m.

**TOWNSHIP OF MARCELLUS**  
**GOVERNMENT WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	Primary Government		
	Governmental Activities	Total	Component Units
<b>ASSETS</b>			
Cash and cash equivalents	\$ 309,813	\$ 309,813	\$ 135,405
Investments	0	0	0
Receivables - net	42,894	42,894	1,754
Prepays	4,969	4,969	0
Capital assets - net	59,851	59,851	405,746
 Total Assets	 417,527	 417,527	 542,905
<b>LIABILITIES</b>			
Accounts payable	28,112	28,112	888
Accrued and other liabilities	6,932	6,932	0
Noncurrent Liabilities			
Due within one year	0	0	0
Due in more than one year	0	0	0
 Total Liabilities	 35,044	 35,044	 888
<b>NET ASSETS</b>			
Invested in Capital Assets			
Net of related debt	59,851	59,851	405,746
Restricted For			
Streets and highways	125,895	125,895	0
Public safety	92,089	92,089	0
Culture & recreation	0	0	136,271
Cemetery care	14,000	14,000	0
Debt service	0	0	0
Unrestricted	90,648	90,648	0
 Total Net Assets	 <u>\$ 382,483</u>	 <u>\$ 382,483</u>	 <u>\$ 542,017</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2006**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	Component Units
<b>Primary Government</b>								
General government!	\$ 146,061	\$ 20,580	\$ 0	\$ 0	\$ (125,481)	\$ 0	\$ (125,481)	\$ 0
Public safety	179,584	4,343	0	0	(175,241)	0	(175,241)	0
Public works	62,031	0	0	0	(62,031)	0	(62,031)	0
Community/Economic development	1,559	0	0	0	(1,559)	0	(1,559)	0
Recreation and culture	0	0	0	0	0	0	0	0
Total Governmental Activities	389,235	24,923	0	0	(364,312)	0	(364,312)	0
Total Primary Government	\$ 389,235	\$ 24,923	\$ 0	\$ 0	(364,312)	0	(364,312)	0
<b>Component Units</b>								
Library Fund	\$ 96,840	\$ 11,560	\$ 300	\$ 0	0	0	0	(84,980)
Hudson Memorial Building	23,527	2,550	160	0	0	0	0	(20,817)
Total Component Units	\$ 120,367	\$ 14,110	\$ 460	\$ 0	0	0	0	(105,797)
<b>General Revenues</b>								
Property taxes					251,005	0	251,005	78,362
State-shared revenues					113,723	0	113,723	3,109
Unrestricted investment earnings					5,308	0	5,308	2,675
Rental fees					247	0	247	0
Miscellaneous & Penal fines					1,371	0	1,371	17,742
Gain on sale of assets					0	0	0	0
Transfers					0	0	0	0
Total General Revenues-Special Items and Transfers					371,654	0	371,654	101,888
Change in Net Assets					7,342	0	7,342	(3,909)
Net Assets-Beginning- As previously stated					394,543	0	394,543	544,054
Prior Period Adjustments					(19,402)	0	(19,402)	1,872
Net Assets-Beginning- As adjusted					375,141	0	375,141	545,926
Net Assets-Ending					\$ 382,483	\$ 0	\$ 382,483	\$ 542,017

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**June 30, 2006**

	General Fund	Road Fund	Ambulance Fund	Police Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 67,503	\$ 125,778	\$ 41,531	\$ 61,001	\$ 14,000	\$ 309,813
Investments	0	0	0	0	0	0
Receivables - net	34,747	0	0	0	0	34,747
Due from other funds	831	117	116	151	6,932	8,147
Prepays	4,969	0	0	0	0	4,969
Total Assets	108,050	125,895	41,647	61,152	20,932	357,676
<b>LIABILITIES</b>						
Accounts payable	10,470	0	0	17,642	0	28,112
Due to other funds	6,932	0	0	0	0	6,932
Total Liabilities	17,402	0	0	17,642	0	35,044
<b>FUND BALANCES</b>						
Reserved for						
Road projects	0	125,895	0	0	0	125,895
Public safety	0	0	41,647	43,510	6,932	92,089
Cemetery care	0	0	0	0	14,000	14,000
Unreserved	90,648	0	0	0	0	90,648
Total Fund Balances	\$ 90,648	\$ 125,895	\$ 41,647	\$ 43,510	\$ 20,932	\$ 322,632

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Net Assets of Governmental Activities

59,851

\$ 382,483

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**June 30, 2006**

	General Fund	Road Fund	Fire and Ambulance Fund	Police Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes and penalties	\$ 68,282	\$ 52,915	\$ 50,647	\$ 79,161	\$ 0	\$ 251,005
Licenses and permits	0	0	0	0	4,343	4,343
State aid	110,071	2,882	0	0	770	113,723
Charges for services	20,580	0	0	0	0	20,580
Interest and rentals	1,018	2,623	832	1,082	0	5,555
Other revenue, fines	1,371	0	0	0	0	1,371
Total Revenues	201,322	58,420	51,479	80,243	5,113	396,577
<b>Expenditures</b>						
Current						
General government	142,892	0	0	0	83	142,975
Public safety	0	0	99,902	75,339	4,343	179,584
Public works	0	62,031	0	0	0	62,031
Recreation and cultural	0	0	0	0	0	0
Community/Economic development	1,559	0	0	0	0	1,559
Capital outlay	640	0	0	0	0	640
Total Expenditures	145,091	62,031	99,902	75,339	4,426	386,789
<b>Excess of Revenues Over (Under) Expenditures</b>	56,231	(3,611)	(48,423)	4,904	687	9,788
<b>Other Financing Sources (Uses)</b>						
Transfers in	4,000	0	40,477	0	0	44,477
Transfers (out)	(40,477)	0	0	0	(4,000)	(44,477)
Total Other Financing Sources (Uses)	(36,477)	0	40,477	0	(4,000)	0
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	19,754	(3,611)	(7,946)	4,904	(3,313)	9,788
Fund Balance July 1, 2005 - as previously stated	70,894	129,506	49,593	58,008	24,245	332,246
Prior Period Adjustment	0	0	0	(19,402)	0	(19,402)
Fund Balance July 1, 2005 - as restated	70,894	129,506	49,593	38,606	24,245	312,844
Fund Balance June 30, 2006	\$ 90,648	\$ 125,895	\$ 41,647	\$ 43,510	\$ 20,932	\$ 322,632

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**FIDUCIARY FUNDS-STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<u>Trust &amp; Agency Funds</u>		
	<u>Tax Collection</u>	<u>Tax Collection</u>	
	<u>Current</u>	<u>Delinquent</u>	<u>Total</u>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 0	3,262	3,262
Delinquent tax receivable	0	0	0
Allowance for doubtful accounts	0	0	0
Due from other funds	0	0	0
	<u>0</u>	<u>3,262</u>	<u>3,262</u>
Total Assets	<u>0</u>	<u>3,262</u>	<u>3,262</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 0	\$ 0	\$ 0
Due to other funds	0	1,409	1,409
Due to other governmental units	0	1,853	1,853
	<u>0</u>	<u>3,262</u>	<u>3,262</u>
Total Liabilities	<u>0</u>	<u>3,262</u>	<u>3,262</u>
<b>NET ASSETS</b>			

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**STATEMENT OF NET ASSETS-COMPONENT UNITS**  
**JUNE 30, 2006**

	Wood Memorial Library	Hudson Memorial Building	Total Component Units
<b>ASSETS</b>			
Cash and cash equivalents	\$ 67,385	68,020	\$ 135,405
Investments	0	0	0
Receivables (net)	1,671	83	1,754
Capital assets - net	<u>322,321</u>	<u>83,425</u>	<u>405,746</u>
Total Assets	<u>\$ 391,377</u>	<u>\$ 151,528</u>	<u>\$ 542,905</u>
<b>LIABILITIES</b>			
Accounts payable	888	0	888
Accrued and other liabilities	0	0	0
Noncurrent liabilities			
Due within one year	0	0	0
Due in more than one year	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 888</u>	<u>\$ 0</u>	<u>\$ 888</u>
<b>NET ASSETS</b>			
Invested in capital assets	322,321	83,425	405,746
Net of related debt			
Restricted for			
Library services	68,168	0	68,168
Cultural/Community facility	0	68,103	68,103
Unrestricted	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Assets	<u>\$ 390,489</u>	<u>\$ 151,528</u>	<u>\$ 542,017</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**STATEMENT OF ACTIVITIES-COMPONENT UNITS**  
**YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Wood Memorial Library	Hudson Memorial Building	Total
<b>Wood Memorial Library</b>							
Cultural and recreation	\$ 96,840	\$ 11,560	\$ 300	\$ 0	\$ (84,980)	\$ 0	\$ (84,980)
	<u>23,527</u>	<u>2,550</u>	<u>160</u>	<u>0</u>	<u>0</u>	<u>(20,817)</u>	<u>(20,817)</u>
<b>Hudson Memorial Building</b>							
Cultural and recreation							
Total Primary Government	<u>\$ 120,367</u>	<u>\$ 14,110</u>	<u>\$ 460</u>	<u>\$ 0</u>	<u>(84,980)</u>	<u>(20,817)</u>	<u>(105,797)</u>
<b>General Revenues</b>							
Property taxes					52,210	26,152	78,362
State aid					3,109	0	3,109
Unrestricted investment earnings					975	1,700	2,675
Miscellaneous, fines & forfeit					17,742	0	17,742
					<u>74,036</u>	<u>27,852</u>	<u>101,888</u>
Total General Revenues					<u>(10,944)</u>	<u>7,035</u>	<u>(3,909)</u>
Change in Net Assets							
Net Assets-Beginning - As previously stated					399,560	144,494	544,054
Prior Period Adjustment					1,872	0	1,872
Net Assets-Beginning - As adjusted					<u>401,432</u>	<u>144,494</u>	<u>545,926</u>
Net Assets-Ending					<u>\$ 390,488</u>	<u>\$ 151,529</u>	<u>\$ 542,017</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS  
COMPONENT UNIT BALANCE SHEET  
JUNE 30, 2006**

	<u>Wood Memorial Library</u>	<u>Hudson Memorial Building</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 67,385	\$ 68,020	\$ 135,405
Investments	0	0	0
State Aid receivable	1,560	0	1,560
Due from other funds	<u>111</u>	<u>83</u>	<u>194</u>
Total Assets	<u>69,056</u>	<u>68,103</u>	<u>137,159</u>
<b>LIABILITIES</b>			
Accounts payable	888	0	888
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>888</u>	<u>0</u>	<u>888</u>
<b>FUND BALANCES</b>			
Reserved For			
Library services	68,168	0	68,168
Cultural/Community facility	0	68,103	68,103
Unreserved	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 68,168</u>	<u>\$ 68,103</u>	<u>\$ 136,271</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			<u>405,746</u>
Net Assets			<u>\$ 542,017</u>

The Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**COMPONENT UNIT STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**YEAR ENDED JUNE 30, 2006**

	Wood Memorial Library	Hudson Memorial Building	Total Component Units
<b>Revenues</b>			
Taxes and penalties	52,210	26,152	78,362
State aid	3,109	0	3,109
Contributions	300	0	300
Charges for services	0	0	0
Interest and rentals	975	4,250	5,225
Other revenue, fines & forfeit	29,302	160	29,462
<b>Total Revenues</b>	<b>85,896</b>	<b>30,562</b>	<b>116,458</b>
<b>Expenditures</b>			
Current			
Library services	69,305	0	69,305
Cultural/Community services	0	17,408	17,408
Capital outlay	24,061	1,117	25,178
<b>Total Expenditures</b>	<b>93,366</b>	<b>18,525</b>	<b>111,891</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(7,470)</b>	<b>12,037</b>	<b>4,567</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	0	0	0
Transfers (out)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(7,470)</b>	<b>12,037</b>	<b>4,567</b>
Fund Balance-July 1, 2005-as previously stated	73,766	56,066	129,832
Prior Period Adjustment	1,872	0	1,872
Fund Balance-July 1, 2005 - as restated	75,638	56,066	131,704
Fund Balance-June 30, 2006	<u>\$ 68,168</u>	<u>\$ 68,103</u>	<u>\$ 136,271</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Marcellus, Cass County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Marcellus conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. The Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**Component Units**

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

**Discretely Presented Component Units**

The component units' columns in the combined financial statements include the financial data of the Township's two component units. Those units are reported in a separate column to emphasize that they are legally separate from the Township, but for which the Township is financially accountable, or its' relationship with the Township is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

The Hudson Memorial Building, which is established pursuant to the Community Center Act (MCL 123.41), is governed by a 6-member Board of Directors elected by the electors of Marcellus Township. The Board of Directors may not issue debt nor levy taxes.

The Marcellus Township Wood Memorial Library, which is established by MCL 397.210, is governed by a 6-member Library Board elected by the electors of Marcellus Township. The Library Board may not issue debt nor levy taxes.

The complete financial statements of the individual component units are included within this report on audit of financial statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements** (continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(continued)

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund, Fire and Ambulance Fund and Police Fund are Special Revenue Funds of the Township. The Road Fund, Fire and Ambulance Fund and Police Fund are used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following non-major fund types:

The Liquor Law Enforcement is a Special Revenue Fund of the Township. The Liquor Law Enforcement Fund is used to account for proceeds from the State of Michigan designated for police programs. The Permanent Cemetery Fund is a permanent government fund for care of general gravesites.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Marcellus does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection and Trust & Agency Funds are Fiduciary Funds accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the respective year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Compensated absences and unpaid vacations were considered but not accrued due to immateriality in amount.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-wide financial statements differ from the Governmental fund financial statements for the effect of the inclusion of capital assets and long term debts.

Capitalized Asset Costs	\$ 84,200
Less Accumulated Depreciation	<u>(24,349)</u>
Capital Assets, net	59,851
 Governmental Fund Balances	 <u>322,632</u>
 Net Assets of Governmental Activities	 <u>\$ 382,483</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Police Fund - Police/Public Safety	75,000	75,339
Fire Fund- Fire & Ambulance	98,500	99,902

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Government</u>	<u>Component Units</u>
Cash & Cash Equivalents	\$ 309,813	\$ 309,813	\$135,405

The breakdown between deposits and investments is as follows:

	<u>Total Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 309,813	\$135,405
Investments in Securities, Mutual Funds and Similar Vehicles	-	-
Petty Cash and Cash on Hand	-	-
Total	<u>\$ 309,813</u>	<u>\$ 135,405</u>

The book balance of the total government's deposits is \$445,218 of which \$285,421 is covered by federal depository insurance.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	General Fund	Road Fund	Fire & Ambulance Fund	Police Fund	Non Major & Other Funds	Total
Taxes receivable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State share revenues receivable	34,747	0	0	0	0	34,747
Due from other funds	831	117	116	\$ 151	6,932	8,147
Less: Allowance for uncollectibles	0	0	0	0	0	0
Net Receivables	<u>\$ 35,578</u>	<u>\$ 117</u>	<u>\$ 116</u>	<u>\$ 151</u>	<u>\$ 6,932</u>	<u>\$ 42,894</u>

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Subtotal	5,000	0	0	5,000
Capital Assets Being Depreciated				
Buildings	63,750	0	0	63,750
Improvements other than buildings	10,399	0	0	10,399
Machinery and equipment	4,411	640	0	5,051
Subtotal	78,560	640	0	79,200
Less Accumulated Depreciation for				
Buildings	17,250	1,500	0	18,750
Improvements other than buildings	2,773	694	0	3,467
Machinery and equipment	1,239	893	0	2,132
Subtotal	21,262	3,087	0	24,349
Net Capital Assets Being Depreciated	57,298	(2,447)	0	54,851
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 62,298</u>	<u>\$ (2,447)</u>	<u>\$ 0</u>	<u>\$ 59,851</u>

The Township assets have been evaluated according to GASB 34 guidelines. The Township owns cemetery property and an old school house where historical cost values are unknown. These assets are fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 3,087
Public safety	-
Public works	-
Economic development	-
Recreation and culture	-
Total Governmental Activities	<u>\$ 3,087</u>

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 6 - CAPITAL ASSETS (Continued)**

Capital asset activity

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Component Units</b>				
Wood Memorial Library	\$ 461,177	\$ 24,061	\$ 0	\$ 485,238
Hudson Memorial Building	137,810	1,117	0	138,927
Less Accumulated Depreciation	<u>(184,765)</u>	<u>(33,654)</u>	<u>0</u>	<u>(218,419)</u>
Net Book Value	\$ 414,222	\$ (8,476)	\$ 0	\$ 405,746

The component units maintain separate facilities. The original structures were donated over 30 years ago. Building improvements have occurred over time. Most recently, the Library has completed a new addition to the original structure. Library books and other materials are considered material assets as a group and were included in capital asset totals.

Depreciation expense was changed to programs of the component units as follows:

Wood Memorial Library	\$ 27,534
Hudson Memorial Building	<u>6,120</u>
Total Culture & Recreation Activities	\$ 33,654

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The composition of interfund balances is as follows:

<b>Due To/From Other Funds</b>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Trust & Agency	831
Road Fund	Trust & Agency	117
Fire & Ambulance Fund	Trust & Agency	116
Police Fund	Trust & Agency	151
Liquor Law Enforcement	General Fund	<u>6,932</u>
Total primary government		<u>8,147</u>
Library Fund	Trust & Agency	111
Hudson Memorial Building	Trust & Agency	<u>83</u>
Total component units		<u>194</u>
Grand total		<u><u>\$ 8,341</u></u>

**Interfund Transfers**

	<u>Transfers (Out)</u>		
	<u>General</u>	<u>Non-Major</u>	
<u>Transfers In</u>	<u>Fund</u>	<u>Governmental</u>	<u>Total</u>
General Fund	0	4,000	4,000
Fire Special Millage Fund	<u>40,477</u>	<u>0</u>	<u>40,477</u>
Total	<u><u>\$ 40,477</u></u>	<u><u>\$ 4,000</u></u>	<u><u>\$ 44,477</u></u>

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 8 - INTERGOVERNMENTAL CONTRACT**

The Township is a constituent unit of the Marcellus Area Emergency Services Association (MAESA). The Association was formed August 17, 1993, by joint resolution of the Village of Marcellus. MAESA provides fire protection and ambulance/rescue service to residents within and around the municipalities. Operating charges are supported by contribution from the participating local units, that take into account their respective state equalized values and charges for service. Marcellus Township paid \$8,087 for annual ambulance services, \$32,390 for fire contract services and \$59,425 as contributions to MAESA for equipment purchases during the fiscal year ended June 30, 2006.

**NOTE 9 - BUILDING INSPECTION SERVICES**

Public Act 245 of 1999 became effective January 1, 2000. This construction code act specified that a statewide code would apply to the plumbing, electrical, mechanical and building codes, dictating the township's involvement in these services. The Township of Marcellus provides this service through Marcellus Township Services for Building Inspection services. Marcellus Township receives income from services provided, and pays out this same expense directly to Marcellus Township Services. The special revenue fund exists showing a break even balance.

**NOTE 10 - PRIOR PERIOD ADJUSTMENTS**

The prior period adjustments reflected in the financial statements were recorded to properly match revenues and expenditures to the proper periods. In the Police Fund, the Cass County Sheriff Department contracts were reviewed and contract payments were matched to the proper period for the services provided. This resulted in a \$19,402 adjustment. The Library component unit receives State Aid for Public Libraries. The State receipts were accounted to the appropriate fiscal year, resulting in a \$1,872 prior period adjustment.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF MARCELLUS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 70,894	\$ 70,894	\$ 70,894	\$ (0)
Resources (Inflows)				
Property taxes	69,000	69,000	68,282	(718)
State aid	110,000	110,000	110,071	71
Licenses and permits	0	0	0	0
Charges for services	11,375	11,375	20,580	9,205
Interest and rentals	1,000	1,000	1,018	18
Miscellaneous revenues	7,750	7,750	1,371	(6,379)
Transfers from other funds	0	0	4,000	4,000
Amounts Available for Appropriation	270,019	270,019	276,216	6,197
Charges to Appropriations (Outflows)				
General Government				
Township board	29,500	29,500	23,490	6,010
Supervisor	8,500	8,500	8,400	100
Finance	13,625	13,625	10,823	2,802
Treasurer	17,350	21,350	16,873	4,477
Assessing	22,200	23,300	19,450	3,850
Clerk	11,400	11,400	11,295	105
Elections	1,600	2,500	2,119	381
Other General Government				
Building and grounds	9,750	10,750	10,730	20
Attorney	2,000	2,000	696	1,304
Cemetery	40,250	47,150	39,016	8,134
Public Works				
Transfer station	3,000	3,000	0	3,000
Community/Economic development	2,150	2,150	1,559	591
Capital outlay	1,500	1,500	640	860
Transfers to other funds	44,500	44,500	40,477	4,023
Total Charges to Appropriations	207,325	221,225	185,568	35,657
Budgetary Fund Balance-June 30	\$ 62,694	\$ 48,794	\$ 90,648	\$ 41,854

**TOWNSHIP OF MARCELLUS**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR ROAD FUND**  
**YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 129,506	\$ 129,506	\$ 129,506	\$ (0)
Resources (Inflows)				
Property taxes	54,000	54,000	52,915	\$ (1,085)
State aid	0	0	2,882	\$ 2,882
Interest income	400	400	2,623	\$ 2,223
Other	21,000	21,000	0	\$ (21,000)
Amounts Available for Appropriation	<u>204,906</u>	<u>204,906</u>	<u>187,926</u>	<u>(16,980)</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>81,000</u>	<u>81,000</u>	<u>62,031</u>	<u>18,969</u>
Total Charges to Appropriations	<u>81,000</u>	<u>81,000</u>	<u>62,031</u>	<u>18,969</u>
Budgetary Fund Balance-June 30	<u>\$ 123,906</u>	<u>\$ 123,906</u>	<u>\$ 125,895</u>	<u>\$ 1,990</u>

**TOWNSHIP OF MARCELLUS  
BUDGETARY COMPARISON SCHEDULE  
FIRE AND AMBULANCE FUND  
YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 49,593	\$ 49,593	\$ 49,593	\$ 0
Resources (Inflows)				
Taxes and penalties	54,000	54,000	50,647	(3,353)
Interest income	200	200	832	632
Transfers from other funds	<u>44,500</u>	<u>44,500</u>	<u>40,477</u>	<u>(4,023)</u>
Amounts Available for Appropriation	<u>148,293</u>	<u>148,293</u>	<u>141,549</u>	<u>(6,744)</u>
Charges to Appropriations (Outflows)				
Public Safety				
Fire and ambulance	<u>98,500</u>	<u>98,500</u>	<u>99,902</u>	<u>(1,402)</u>
Total Charges to Appropriations	<u>98,500</u>	<u>98,500</u>	<u>99,902</u>	<u>(1,402)</u>
Budgetary Fund Balance-June 30	<u>\$ 49,793</u>	<u>\$ 49,793</u>	<u>\$ 41,647</u>	<u>\$ (8,146)</u>

**TOWNSHIP OF MARCELLUS**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR POLICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 38,606	\$ 38,606	\$ 38,606	\$ 0
Resources (Inflows)				
Taxes and penalties	81,000	81,000	79,161	(1,839)
Interest	0	0	1,082	1,082
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	<u>119,606</u>	<u>119,606</u>	<u>118,849</u>	<u>(757)</u>
Charges to Appropriations (Outflows)				
Public Safety				
Police/sheriff	<u>75,000</u>	<u>75,000</u>	<u>75,339</u>	<u>(339)</u>
Total Charges to Appropriations	<u>75,000</u>	<u>75,000</u>	<u>75,339</u>	<u>(339)</u>
Budgetary Fund Balance-June 30	<u>\$ 44,606</u>	<u>\$ 44,606</u>	<u>\$ 43,510</u>	<u>\$ (1,096)</u>

TOWNSHIP OF MARCELLUS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	Special Revenue Fund			Total	
	Building & Inspection	Liquor Law Enforcement	Permanent Cemetery Fund	Non-Major Governmental Funds	
Assets					
Cash and cash equivalents	\$ 0	\$ 0	\$ 14,000	\$ 14,000	
Investments	0	0	0	0	
Receivables - net	0	0	0	0	
Due from other funds	0	6,932	0	6,932	
Total Assets	\$ 0	\$ 6,932	\$ 14,000	\$ 20,932	
Liabilities and Fund Equity					
Liabilities					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	
Due to other funds	0	0	0	0	
Total Liabilities	0	0	0	0	
Fund Balance					
Reserved	0	6,932	14,000	20,932	
Unreserved	0	0	0	0	
Total Fund Equity	0	6,932	14,000	20,932	
Total Liabilities and Fund Equity	\$ 0	\$ 6,932	\$ 14,000	\$ 20,932	

**TOWNSHIP OF MARCELLUS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	Special Revenue Fund			Total	
	Building & Inspection	Liquor Law Enforcement	Permanent Cemetery Fund	Non-Major Governmental Funds	
Revenues					
Taxes and penalties	\$ 0	\$ 0	\$ 0	\$ 0	0
Licenses and permits	4,343	0	0	0	4,343
State Aid	0	770	0	0	770
Total Revenues	4,343	770	0	0	5,113
Expenditures					
Current					
Public safety	4,343	0	0	0	4,343
Cemetery	0	0	83	83	83
Debt Services	0	0	0	0	0
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total Expenditures	4,343	0	83	83	4,426
Excess of Revenues Over (Under) Expenditures	0	770	(83)	(83)	687
Other Financing Sources (Uses)					
Operating transfers in	0	0	0	0	0
Operating transfers (out)	0	0	(4,000)	(4,000)	(4,000)
Total Other Financing Sources (Uses)	0	0	(4,000)	(4,000)	(4,000)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	770	(4,083)	(4,083)	(3,313)
Fund Balance-July 1, 2005	0	6,162	18,083	18,083	24,245
Fund Balance-June 30, 2006	0	6,932	\$ 14,000	\$ 14,000	\$ 20,932

# ANGLE & STEFFES, P.C.

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December 8, 2006

In planning and performing our audit of the Financial Statements of the Township of Marcellus for the year ended June 30, 2006, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

## **Excess of Expenditures Over Appropriations**

Public Act 621 of 1978, section 18(1) as amended, provides that the Township shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line functional basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level.

During the year ended June 30, 2006, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>
Police Fund- Public Safety	75,000	75,339
Fire Fund- Fire & Ambulance	98,500	99,902

The Township is evaluating its budget on a regular basis.

## **Uninsured Funds**

The Township and component units utilize two banks, with a total of \$159,797 over the federally insured level as of June 30, 2006. We recommend that no more than \$200,000 be maintained in any one bank, \$100,000 limit each in savings and checking accounts, to avoid risk of uninsured losses that may occur. It is noted that the accounts were diversified since the last audit.

### **Interest bearing accounts**

We recommend that all checking accounts be evaluated, so that all possible are converted to interest bearing accounts. We have noted that the Library and Tax Collection accounts were not consistently interest bearing. Your consideration to this matter is requested.

### **Liquor Control Fund**

Marcellus Township has certified with the State of Michigan that it will utilize the funding received for Liquor Control, according to the Liquor Control Act, P.A. 1998. Annual funds has been received, however, they have not been paid out for inspections in recent years. It is felt that the Township should approach the Cass County Sheriff's department and determine whether they are completing Liquor Control duties on the Township's behalf. If this is being done, then remit the monies to Cass County as applicable. If Cass County is not performing liquor inspections for the Township, then an inspection process should be coordinated to meet the requirements of the State of Michigan. Your attention to this compliance issue is required.

### **General**

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all Township employees and officials.

Respectfully submitted,



Angle & Steffes, P.C.  
Certified Public Accountants